

Net Asset Value

The Net Asset Value (NAV) per share as at 31 March 2021 was 108.33 pence. In March the NAV was up 1.63% in Sterling terms, whilst the BSE MidCap TR Index was up 2.15%. In local currency terms, the NAV was up 0.69% for the month.

Portfolio activity

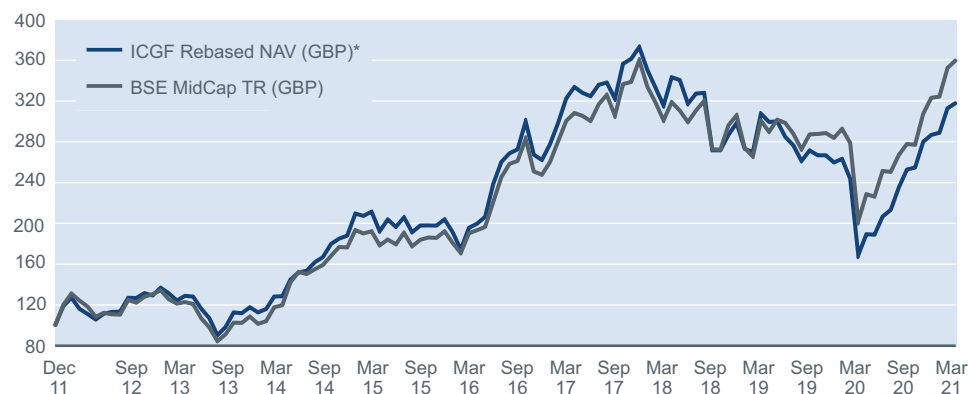
New purchases None **Exits** None

Holdings in focus

City Union Bank (CUB) is a mid-size regional bank based in the South Indian state of Tamil Nadu, with a legacy of over 100 years. It has a network of 700 branches as of FY20 and is primarily a working capital lender to micro, small and medium enterprises (MSME), retail/wholesale trade and the agricultural sector. Its operations are concentrated in Tamil Nadu, but it also has a presence in Andhra Pradesh and Telangana. As of FY20, its loan book stood at Rs339bn (US\$4.7bn) and boasts a high yielding portfolio, strong SME relationships and well managed asset quality. CUB has consistently delivered ~1.5% ROA since FY02, with the exception of FY20. The bank is adequately capitalised, with CAR of 16.8% as of FY20. The bank sets itself apart with a difficult-to-replicate business model based on building strong relationships with MSMEs over many years. It follows a sole banker model with high collateral cover (only 1% of book is unsecured), and a sticky retail-funded liability base with consistently low asset-liability mismatches resulting in superior NIMs. We see CUB as a long-term compounder, driven by low double-digit advance growth, NIMs sustaining at 4% and a declining cost-to-income ratio.

Balkrishna Industries (BKT) is a leading off-highway tyre (OHT) manufacturer. It focuses on agricultural, construction, industrial, mining and earthmoving segments. It has five plants in India with a total capacity of 300,000MT. Around 75% of revenues are from exports to over 160 countries (6% of global market share). BKT sells through distributors and 70% of sales are to the replacement market. Agriculture is the largest revenue segment at 60% and Europe is the largest geography at 49% of sales. The OHT segment requires high customisation and has low volumes with large variety; the products cannot be mass produced and manufacturing is labour intensive. Over the years, BKT has created several entry barriers including its 2700 plus stock-keeping units (SKUs), giving it a huge advantage as dealers are able to order multiple tyre sizes in one lot from just one supplier. On top of this, with manufacturing plants in India, labour costs are at 5% of sales vs. 25-30% for global players. It has also backwards integrated to reduce dependence on imports, establishing a carbon black plant. All of the above has led to strong pricing power. The company enjoys margins in excess of 28%, has ROCE of 18% and consistently generates free cash, despite constantly expanding capacity to meet incremental demand. We see this being a steady compounder as the company further consolidates its position with entry into new product segments and geographies.

Rebased NAV Performance since 31 December 2011 (%)



Source: Ocean Dial Asset Management Limited, Bloomberg

Performance (%)

	1m	3m	6m	1yr	3yr	5yr
ICGF Rebased NAV*	1.6	10.9	25.8	88.3	0.8	62.5
ICGF NAV	1.6	10.9	25.8	88.3	0.8	50.5
BSE MidCap TR Index	2.2	11.4	29.5	77.9	19.6	89.1

*The Rebased NAV is the fairest representation of the Manager's performance across all periods excluding the dilutive effect of the new ordinary shares issued on 8 August 2016 following the exercise of subscription share rights.

Source: Ocean Dial Asset Management Limited, Bloomberg

Fund information

Listing	LSE Main Market
Domicile	Guernsey
NAV publication	Monthly (daily estimate)
Size (NAV)	£121.9m
Launch	22 December 2005
Adviser start	31 December 2011
Portfolio Manager	Ocean Dial Asset Management
Portfolio Adviser	Gaurav Narain
Benchmark	S&P BSE MidCap TR
AMC	1.25% of market cap
Share price / NAV per share (p)	96.20/108.33

Portfolio characteristics

Number of holdings	33
Median market cap	£1.1bn
PE FY22E	17.8
ROE (3y Avg)	18.6%
Tracking Error	6.9%
Active Share	92.8%

India highlights

	MTD	YTD
BSE 500 (US\$)	0.6%	6.5%
iShares MSCI Asia ex-Japan (US\$)	(2.1%)	3.4%
iShares MSCI EM Index (US\$)	(0.7%)	3.2%
INR vs US\$ [stronger/(weaker)]	0.5%	(0.1%)
FII Net flows (US\$m)	1,214	7,411
DII Net flows (US\$m)	915	(3,206)

Macro indicators

CPI inflation (February/3m avg)	5.0%	4.6%
GDP Q3 FY21		0.4%
Current account/GDP Q2 FY21		1.3%

Source: Ocean Dial Asset Management Limited

Team commentary

31 March	Monthly Book Review – Ethical Dilemmas of a Civil Servant
11 March	HOODstock - India Capital Growth Fund's Industry Leaders: #1 Kajaria Ceramics
28 February	Monthly Book Review - The Moonstone
18 February	In Conversation - Investment led recovery rekindling India's animal spirits
5 February	The Great Indian Budget 'Tamasha' II
31 January	Monthly Book Review - The Black Swan

India Capital Growth Fund

MARCH 2021

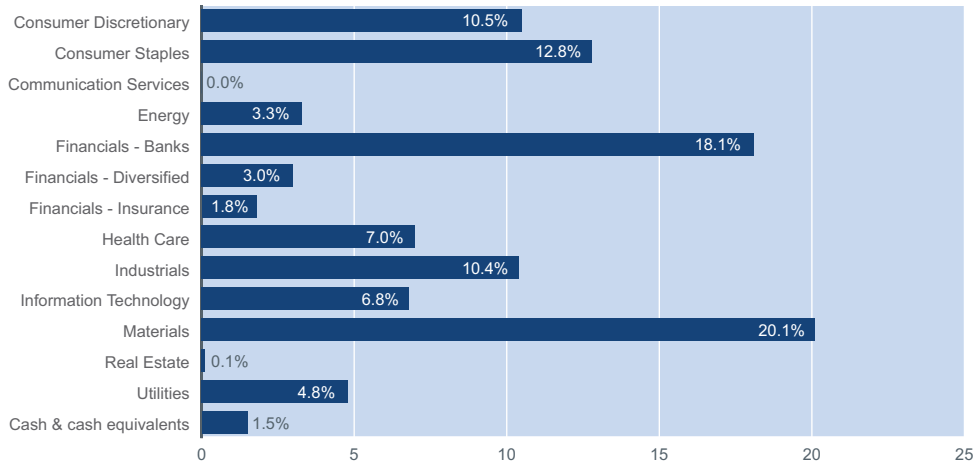
India Capital GROWTH FUND

Top ten holdings

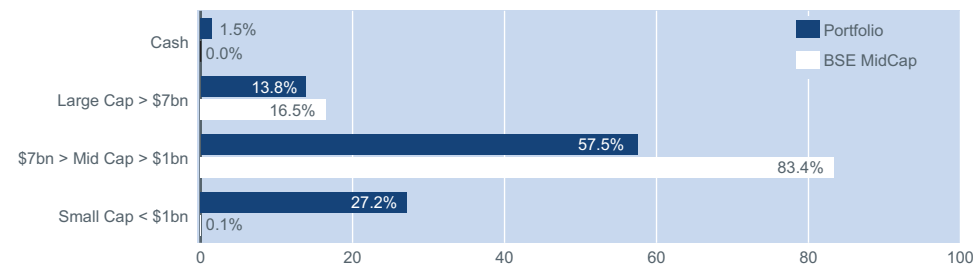
Portfolio Company	Weight	Characteristics	Market cap
Federal Bank	6.1%	Well run mid-sized private sector bank, attractive valuations	£1bn
Emami	5.5%	Dominant player across multiple niche consumer product categories, attractive valuations	£2bn
IndusInd Bank	5.1%	Fifth largest private sector bank in India and poised to gain market share. Value play with ebbing asset quality concerns	£7bn
Gujarat Gas	4.8%	Key beneficiary of India's transition to cleaner energy	£4bn
IDFC Bank	4.2%	Well capitalised private sector retail bank. Digitally-focused and on a high growth trajectory	£3bn
PI Industries	4.2%	Quality agro-chemical company, high visibility, strong industry tailwinds in global supply chains	£3bn
Neuland Laboratories	4.0%	API and Custom Manufacturing solutions provider to multinational pharmaceutical companies. Beneficiary of China-dominated supply chain disruptions	£266m
Tech Mahindra	3.9%	IT services, leads telecommunications vertical with structural tailwinds	£10bn
Kajaria Ceramics	3.8%	Ceramic tile manufacturer, gaining market share from the unorganised sector following restrictions surrounding coal gasifiers	£1bn
JK Lakshmi Cement	3.6%	Deep value, capacity expansion complete and deleveraging underway	£1bn

Source: Ocean Dial Asset Management Limited, Bloomberg

Portfolio analysis by sector



Portfolio analysis by market capitalisation



Source: Ocean Dial Asset Management Limited, Bloomberg

Quarterly attribution – 3 months to 31 March 2021 (%)

Top 5	Ave. weight	Ave. index weight	Return	Contribution
Neuland Laboratories	3.42	0.00	88.18	2.06
Gujarat Gas	3.98	0.00	44.02	1.49
IDFC Bank	3.89	1.05	48.32	1.27
Kajaria Ceramics	3.82	0.00	31.53	1.07
Federal Bank	6.55	1.42	12.12	0.91
Bottom 5	Ave. weight	Ave. index weight	Return	Contribution
Jyothy Laboratories	3.13	0.00	(7.78)	(0.21)
Divi's Laboratories	3.23	0.00	(6.97)	(0.32)
CCL Products India	2.21	0.00	(13.78)	(0.34)
City Union Bank	2.95	0.00	(14.57)	(0.43)
Multi Commodity Exchange	2.89	0.00	(13.75)	(0.44)

Source: Ocean Dial Asset Management Limited, Statpro

Fund adviser



Gaurav Narain joined the Group in November 2011, having been immersed in the Indian equity markets for the previous 21 years. He has held senior positions as both a fund manager and an equities analyst in New Horizon Investments, ING Investment Management India and SG (Asia) Securities India. He holds a Masters degree in Finance and Control and a Bachelor of Economics degree from Delhi University.

Investment philosophy

The investment manager believes that in India, optimal returns will be generated over time by investing in companies that are well placed to benefit from the structural growth potential of the Indian economy, combined with the highest quality of management best able to exploit this opportunity. The fund uses a consistent and disciplined bottom up stock picking process to select investments from our best ideas, unconstrained by a benchmark.

Investment objective

To provide long term capital appreciation by investing predominantly in listed mid and small cap Indian companies. Investments may also be made in unquoted Indian companies where the Fund Manager believes long-term capital appreciation will be achieved. The Company may hold liquid assets (including cash) pending deployment in suitable investments. It is the Company's declared policy not to hedge exposure to the Indian Rupee.

Capital structure

112,502,173 ordinary shares in issue.

Board

Elisabeth Scott (Chairman)
Peter Niven
Patrick Firth

Other advisers

Administrator
Apex Fund and Corporate Services (Guernsey) Limited

Broker
Shore Capital Stockbrokers Limited

Registrar and CREST Agent
Neville Registrars Limited

Manager

Ocean Dial Asset Management Limited is authorised and regulated by the Financial Conduct Authority.

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Where reference to a specific Class of security is made, it is for illustrative purposes only and should not be regarded as a recommendation to buy or sell that security. Market index information shown herein such as that of the S&P BSE Midcap TR is included to show relative market performance for the periods indicated and not as standards of comparison, since indices are unmanaged, broadly based and differ in numerous respects from the Fund.

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